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**Accumulate**

## Berger Paints India Ltd

**growth of 28% in Revenues and 22% in PAT**

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### Highlights

- Berger Paints India Limited records a growth of 28% in Revenues and 22% in PAT for quarter ended on 31st Dec 2011
- Net sales for the quarter ended on 31st Dec 2011 was Rs 700 crores against Rs 549 crores in the corresponding quarter last year, registering a growth of of 28%.
- Earnings before depreciation, Interest and Tax for the quarter ended 31st dec 2011 was Rs 59 crores against Rs 48 crores in the corresponding quarter of the last year, an increase of 21%.
- Net profit for the quarter ended on 31st December 2011 was Rs 45 crores as against Rs 37 crores in the corresponding quarter of last year representing an increase of 22% over the corresponding period of last year.
- EPS for the quarter ended 31st Dec 2011 stands at Rs 1.30 as against Rs 1.24 in the previous quarter and Rs 1.07 against same quarter a year before, representing a rise of over 4% QoQ and over 21%YoY.

### Stock Data (as on 31<sup>st</sup> Dec 2012)

Current Price	Rs 96.80
Target Price	Rs 118
Percentage Appreciation	22%
Stock Beta	0.74
52 week range High/Low	Rs 119.90/73.5
Market Cap (Crores)	3,374.88
Shares Outstanding(Mln)	346.13
Average daily volume	67,649
NSE code	BERGEPAIN
BSE Code	509480
Reuters code	BRGR.NS
Bloomberg code	BRGR:IN

### Risks & Concerns

Even though the company was coming out with decent performance figures on a continuous basis, we believe inflation and currency fluctuations will have an impact on material prices going forward, and thus impacting its margins.

### Investment & Price objective

In our research report dated 27th sep 2011, we had recommended a BUY on Berger Paints at Rs 99.95 with a target of Rs 118 which got achieved on 09th Nov 2011 (a percentage appreciation of 18%). Owing to its superior margin management, we re-iterate Berger Paints as our top pick and put an Accumulate rating on the stock with target price unchanged at Rs 118.

**For analyst certification and other important disclosures, refer to the Disclosure Section located at the end of this report.**

## Berger Paints - Q3 FY12

Key Items (Rs in Lakhs)	Q2 FY12	Q3 FY12	FY11A	Q2 FY11	Q3 FY11	QoQ	YoY
<b>Revenues</b>							
Net Sales/Income from Operations	63199	70010	209622	51719	54915	10.78	27.49
Other Operating Income	68	94	460	99	90	38.24	4.44
<b>Total Income</b>	<b>63267</b>	<b>70104</b>	<b>210082</b>	<b>51818</b>	<b>55005</b>	<b>10.81</b>	<b>27.45</b>
<b>Expenditure</b>							
Increase/decrease in stock in trade & work-in-progress	-3840	515	-5737	-4860	4412	-113.41	-88.33
Consumption of raw materials	39428	41625	127573	34157	27887	5.57	49.26
Purchase of traded goods	4555	3567	12052	3487	3051	-21.69	16.91
Employee cost	3141	3078	10762	2533	2709	-2.01	13.62
Depreciation	925	988	2998	721	776	6.81	27.32
Other expenditure	13374	14471	43692	11015	11331	8.20	27.71
<b>Total</b>	<b>57583</b>	<b>64244</b>	<b>191340</b>	<b>47053</b>	<b>50166</b>	<b>11.57</b>	<b>28.06</b>
<b>EBITDA</b>							
Other Income	843	888	3587	741	849	5.34	4.59
Profit before Interest & Exceptional Items	6527	6748	22329	5506	5688	3.39	18.64
Interest	533	507	1218	313	456	-4.88	11.18
Profit after Interest but before Exceptional Items	5994	6241	21111	5193	5232	4.12	19.29
Exceptional items	0	0	0	0	0		
Profit (+)/ Loss (-) from Ordinary Activities before tax	5994	6241	21111	5193	5232	4.12	19.29
Tax expense	1693	1749	6280	1519	1541	3.31	13.50
Net Profit (+)/ Loss (-) from Ordinary Activities after tax	4301	4492	14831	3674	3691	4.44	21.70
Extraordinary Item (net of tax expense)	0	0	0	0	0		
<b>Net Profit (+)/ Loss (-) for the period</b>	<b>4301</b>	<b>4492</b>	<b>14831</b>	<b>3674</b>	<b>3691</b>	<b>4.44</b>	<b>21.70</b>
Share capital	6923	6923	6921	6921	6921		
<b>EPS</b>	<b>1.24</b>	<b>1.30</b>	<b>4.29</b>	<b>1.06</b>	<b>1.07</b>	<b>4.44</b>	<b>21.28</b>

## Expansion plans

- The company is planning to ramp up capacity at its existing units and at units under implementation. It has already doubled the capacity of its water-based paints unit in Hindupur, Andhra Pradesh.
- The capacity at West Bengal's Rishra unit was also being increased from 3,000 tonnes to 5,000 tonnes monthly and would be completed by January-February 2012.
- The company is also planning to add capacities in its resin unit at Goa.
- On the company's global expansion plan, The company has expanded its business in Nepal by setting up a second unit. The company has acquired Bolix SA of Poland, a leading provider of External Insulation Finishing Systems in Eastern Europe.

## Plans to enter new business

- The company is planning to enter into new segment such as construction chemicals, which is a combination of liquid paints and cement.

## Analyst Certification

I Rethish Varma.S, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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